

CareSource~

Scope and rate of the rate increase

Minimum Increase: -18.8 percent

Maximum Increase: +20.4 percent

Weighted Average Increase: +11.83 percent

There are 1,405 members that will be impacted

Financial experience of the product

These products were first introduced in January 2015 and thus there is no meaningful financial experience for this product.

When setting the premium rates in 2015 with limited ACA experience and new to the Kentucky market, CareSource based premiums on information from other products adjusted to reflect the Kentucky market and the individuals purchasing coverage on the marketplace at the time.

CareSource's 2015 to 2016 premium rate change for existing members is based on very early experience emerging from their Kentucky product offering, consideration of CareSource's parent organization 2014 health exchange product line experience, and a market place comparison of 2015 premiums.

Changes in medical services costs

A medical inflation trend of 5.2 percent annually was used to project 2016 medical cost. This includes trend due to both unit cost increased and utilization increases.

Contract with facilities and physicians have been renegotiated, some at lower rates as in -10 percent and some at higher rates as in +20 percent. The premiums reflect the provider contracts associated within the area in which the product is sold and are applied at the plan level, therefore rate increases differ by plan.

Changes in benefits

A decrease in primary care, occupational therapy and rehabilitative physical therapy copays from \$20 to \$0 equated to an increase in the benefit which corresponds to a slight increase in premium.

Administrative costs and anticipated profits

Administrative costs including taxes and fees, and projected profit assumptions were revised upward based on revised administrative expense and profit assumptions including a better model of Kentucky's premium tax from 14.3 percent to 17.9 percent of premium.

Summary

During the actuarial review, the company was asked to provide additional details to support the trend projections, expense assumptions, and rate increases by plan.

The base rate was deemed to be actuarially justified and was approved in accordance with Kentucky statutes and regulations